



Entergy Arkansas, Inc.
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REC'D TM
REGULATORY AUTH.

Steven K. Strickland
Director
Regulatory Affairs

*02 FEB 8 PM 12 45

February 5, 2002

OFFICE OF THE
EXECUTIVE SECRETARY

Mr. K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Tennessee Regulatory Authority Docket No. 01-01023
Entergy Arkansas, Inc. (EAI) Request for Approval of a
Plan of Refund

Dear Mr. Waddell:

In our letter addressed to you dated December 20, 2001, Entergy Arkansas, Inc. (EAI) forwarded a copy of the Supplemental Direct Testimony of EAI witness Andrew P. Frits filed that day reflecting the exact refund amount EAI will refund to its Arkansas and Tennessee retail customers for Grand Gulf capacity charges subject to Arkansas Public Service Commission (APSC) review and approval.

In response to a request by the APSC General Staff, EAI filed Second Supplemental Direct Testimony of EAI witness Andrew P. Frits on February 1, 2002, which explains the difference between the estimated refund amount submitted in his Direct Testimony filed on August 31, 2001, and the exact refund amount filed December 20, 2001. Attached are the original and thirteen copies of the February 1 filing for the TRA Docket referenced above.

As soon as an order is issued by the APSC following its review of this compliance filing, a copy will be forwarded to you.

If you have any questions or need additional information, please do not hesitate to call me at (501) 377-4457 or Mr. Will Morgan at (501) 377-5489.

Sincerely,

A handwritten signature in black ink, appearing to be "SKS/tj".

SKS/tj
Attachments

FEB 1 2 58 PM '02

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

FILED

IN THE MATTER OF THE
APPLICATION OF ENTERGY
ARKANSAS, INC. FOR APPROVAL
OF A PLAN OF REFUND

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DOCKET NO. 01-209-U

SECOND SUPPLEMENTAL DIRECT TESTIMONY

OF

ANDREW P. FRITS

DIRECTOR, REVENUE REQUIREMENTS AND ANALYSES

ENTERGY SERVICES, INC.

ON BEHALF OF

ENTERGY ARKANSAS, INC.

FEBRUARY 1, 2002

1 Q. PLEASE STATE YOUR NAME.

2 A. My name is Andrew P. Frits.

3

4 Q. ARE YOU THE SAME ANDREW P. FRITS WHO FILED
5 SUPPLEMENTAL DIRECT TESTIMONY IN THIS DOCKET ON BEHALF
6 OF ENTERGY ARKANSAS, INC. ("EAI" OR THE "COMPANY")?

7 A. Yes.

8

9 Q. WHAT IS THE PURPOSE OF YOUR SECOND SUPPLEMENTAL
10 DIRECT TESTIMONY?

11 A. In my Direct Testimony, I provided an estimated amount of the anticipated
12 refund from System Energy Resources, Inc. ("SERI"), in Federal Energy
13 Regulatory Commission ("FERC") Docket No. ER95-1042-000. Pursuant
14 to the Stipulation and Settlement Agreement in the current Docket, EAI
15 agreed to "file for review and approval in this docket the exact refund
16 amount EAI will refund to its retail customers within ten (10) days after the
17 SERI refund is made to EAI." My Supplemental Direct Testimony
18 provided the actual amount of the SERI refund to EAI's Arkansas retail
19 customers. SERI made its refund to EAI on December 10, 2001. The
20 General Staff ("Staff") of the Arkansas Public Service Commission
21 ("APSC" or the "Commission") has requested an explanation of the
22 difference in the estimated refund amount filed in my Direct Testimony and
23 the actual amount to be refunded as discussed in my Supplemental

1 Testimony. The purpose of this Second Supplemental Testimony is to
2 provide an explanation.

3
4 Q. PLEASE EXPLAIN THE DIFFERENCE IN THE ESTIMATED \$62.5
5 MILLION REFUND VERSUS THE ACTUAL REFUND OF
6 APPROXIMATELY \$54.3 MILLION.

7 A. As I stated in my Direct Testimony, the actual amount of the refund from
8 SERI to each Operating Company that purchases power from the Grand
9 Gulf Nuclear Station could not be known until SERI issued revised bills for
10 the 72-month refund period. Determining the exact amount of the refund
11 involved recalculating all the bills for purchased power that SERI sent to
12 each Operating Company, including EAI, for that 72-month period based
13 upon the tariff that the FERC ultimately approved.

14 In late August 2001, Entergy Services, Inc. prepared a preliminary
15 estimate of the refund amount through September 2001 based on an
16 abbreviated approach so that some indication of the refund amount could
17 be produced in a timely fashion. The abbreviated process to develop the
18 estimate was very different from the process to recalculate each monthly
19 bill. The differences between the two calculations include but are not
20 limited to:

- 1 • At the time of the estimate, August 2001 and September 2001 data
- 2 were not available; therefore, July 2001 data was replicated for these
- 3 two months.
- 4 • The estimate did not include some FERC operation and maintenance
- 5 account charges that are appropriate for inclusion in the monthly bill.
- 6 • The estimate did not include the approved decommissioning expense
- 7 amounts for all the months of the calculation.
- 8 • The estimate included depreciable plant balances for certain months
- 9 that had not been updated to reflect actual book amounts.
- 10 • The deferred income tax balance used in the estimate to calculate the
- 11 return on the net investment had not been updated.

12

13 Q. HAS THE FERC COMPLETED ITS REVIEW OF THE SERI REFUND?

14 A. No. SERI filed its Compliance Refund Report with the FERC on

15 December 21, 2001 in FERC Docket No. ER95-1042-000. On January

16 30, 2002, the FERC Staff requested additional information relating to the

17 refund calculation. As of today, the FERC has not taken action on SERI's

18 Compliance Refund Report.

19

20 Q. DOES THIS CONCLUDE YOUR SECOND SUPPLEMENT TESTIMONY?

21 A. Yes.

CERTIFICATE OF SERVICE

I, Steven K. Strickland, do hereby certify that a copy of the foregoing has been served upon all parties of record this 1st day of February 2002.


Steven K. Strickland